

**CITY OF TABOR**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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**City of Tabor**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Roberts	Mayor	Jan 2009
Don Baggs	Council Member	Jan 2009
Clint Wright	Council Member	Jan 2011
Dolores Moles	Council Member	Jan 2009
Randy Wirth	Council Member	Jan 2009
Ross Silcock	Council Member	Jan 2011
Pat Weldon	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite

December 23, 2008

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tabor, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tabor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tabor as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 23, 2008 on our consideration of the City of Tabor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 20 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tabor's basic financial statements. Other supplementary information included in Schedules 1 and 2, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Tabor provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased 3.7%, or approximately \$15,700, fiscal year 2007 to fiscal year 2008. Property tax decreased approximately \$26,700 and local option sales tax increased approximately \$8,000
- Total disbursements decreased approximately \$140,000.
- The City's total cash basis net assets increased 11.9%, in fiscal year 2008, or approximately \$42,900. Of this amount the assets of the governmental activities increased approximately \$19,800 and assets of the business type increased approximately \$23,100.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a companion of the City's budget for the year.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not

present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-Wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information helps answer this question.

The Statement of Activities and Net Assets present the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, general government, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill. These activities are financed primarily by user charges.

## **FUND FINANCIAL STATEMENTS**

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include:
  - a) the General Fund
  - b) the Special Revenue Funds such as Road Use Tax and Local Option Tax

The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and landfill funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago. The analysis that follows focuses on cash balances for governmental activities.

### City of Tabor

#### Statement of Cash Receipts and Disbursements - Government Funds

	Year Ending 6/30/2008	Year Ending 6/30/2007
<b>Receipts</b>		
Property tax	\$ 59,628	\$ 86,355
Other city tax	84,034	75,014
Licenses and permits	1,975	1,479
Use of money and property	15,780	15,140
Intergovernmental	102,341	95,302
Charges for service	109,899	88,535
Special assessments	1,237	-
Miscellaneous	29,503	58,223
Total receipts	<u>404,397</u>	<u>420,048</u>
<b>Disbursements</b>		
Operating:		
Public safety	130,413	269,892
Public works	106,572	134,791
Culture and recreation	45,551	43,948
Community and economic development	11,000	-
General government	76,798	71,165
Debt service	19,306	18,987
Total disbursements	<u>389,640</u>	<u>538,783</u>
Excess (deficiency) of receipts over (under) disbursements	14,757	(118,735)
Other financing sources (uses):		
Operating transfers in	95,674	-
Operating transfers out	(90,674)	-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>
Net change in cash balances	19,757	(118,735)
Cash balances beginning of year	<u>90,237</u>	<u>208,972</u>
Cash balances end of year	<u>\$ 109,994</u>	<u>\$ 90,237</u>

City of Tabor  
Statement of Cash Receipts and Disbursements - Government Funds

	Year Ending 6/30/2008	Year Ending 6/30/2007
Operating receipts:		
Charges for service	\$ 224,567	\$ 216,774
Miscellaneous	<u>7,352</u>	<u>498</u>
Total operating receipts	231,919	217,272
Operating disbursements:		
Business type activities	<u>139,024</u>	<u>130,114</u>
Total operating disbursements	<u>139,024</u>	<u>130,114</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	92,895	87,158
Non-operating receipts (disbursements):		
Debt service	<u>(64,800)</u>	<u>(64,544)</u>
Total non operating receipts (disbursements)	<u>(64,800)</u>	<u>(64,544)</u>
Excess (deficiency) of receipts over (under) disbursements	28,095	22,614
Operating transfers in (out)	<u>(5,000)</u>	<u>-</u>
Net change in cash balances	23,095	22,614
Cash balances beginning of year	<u>270,352</u>	<u>247,738</u>
Cash balances end of year	<u>\$ 293,447</u>	<u>\$ 270,352</u>

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance increased approximately \$5,000 from the prior year to \$97,025.

The Road Use Tax Fund Cash balance increased approximately \$14,800 to \$12,969 during the fiscal year. The city intends to use this money to upgrade the condition of all City roads.

The total cash basis fund balance is approximately \$110,000.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance was a deficit balance of \$30,361. The Sewer Fund cash balance of \$316,213 includes Reserve and Replacement SRF loan accounts totaling \$73,000 as well as a sewer sinking account of \$178,785. The Landfill Fund ended the year with a cash balance of \$7,595.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment resulted in an increase in spending for research and engineering fee on a city wide wireless internet service.

## **DEBT ADMINISTRATION**

At June 30, 2008, the City had \$37,000 in debt due to a loan for the new fire and rescue station to be paid from the general fund. The City of Tabor owes \$409,000 SRF loan balance scheduled to be paid off over the next 11 years or in 2015 fiscal year by sewer revenue.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 % of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$37,000 is significantly below its constitutional debt limit of \$1,714,230.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Tabor's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index Increase. The State's CPI increase was 3.2% for fiscal year 2008 compared with the national rate of 3.4%. Inflation has been modest here due to watchful spending by the City Council and modest increases in energy prices in 03-04.

These indicators were taken into account when adopting the budget for fiscal year 2009. Property tax increased assessed evaluations and the lowering of the City's tax base to 3.65 cents per thousand will help hold our inflation in check.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pat Weldon, City Clerk, 626 Main, Tabor, Iowa.

## **Basic Financial Statements**

City of Tabor  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2008

		Program Receipts		
			Operating	Capital Grants,
			Contributions	Contributions
			and Restricted	and Restricted
			Interest	Interest
	Disbursements	Charges for Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 130,413	\$ 105,865	\$ -	\$ -
Public works	106,572	4,034	85,073	-
Culture and recreation	45,551	-	16,512	-
Community and economic development	11,000	-	-	-
General government	76,798	-	-	-
Debt service	19,306	-	-	-
Total governmental activities	389,640	109,899	101,585	-
Business type activities:				
Water	99,134	91,029	-	-
Sewer	93,361	119,369	-	64,800
Landfill	11,329	13,451	-	-
Total business type activities	203,824	223,849	-	64,800
Total	\$ 593,464	\$ 333,748	\$ 101,585	\$ 64,800
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Local option sales tax				
Grants and contributions restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Sewer replacement				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

# Exhibit A

## Net (Disbursement) Receipts and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (24,548)	\$ -	\$ (24,548)
(17,465)	-	(17,465)
(29,039)	-	(29,039)
(11,000)	-	(11,000)
(76,798)	-	(76,798)
(19,306)	-	(19,306)
(178,156)	-	(178,156)
-	(8,105)	(8,105)
-	26,008	26,008
-	2,122	2,122
-	20,025	20,025
(178,156)	20,025	(158,131)
\$ 64,225	\$ -	\$ 64,225
80,674	-	80,674
11,423	-	11,423
12,850	717	13,567
2,931	-	2,931
20,810	7,352	28,162
5,000	(5,000)	-
197,913	3,069	200,982
19,757	23,094	42,851
90,237	270,352	360,589
\$ 109,994	\$ 293,446	\$ 403,440
\$ 12,969	\$ -	\$ 12,969
-	73,000	73,000
-	178,785	178,785
97,025	41,661	138,686
\$ 109,994	\$ 293,446	\$ 403,440

City of Tabor  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2008

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Total
<b>Receipts</b>				
Property tax	\$ 59,628	\$ -	\$ -	\$ 59,628
Other city tax	3,360	-	80,674	84,034
Licenses and permits	1,975	-	-	1,975
Use of money and property	15,780	-	-	15,780
Intergovernmental	17,268	85,073	-	102,341
Charges for service	109,899	-	-	109,899
Special assessments	1,237	-	-	1,237
Miscellaneous	29,503	-	-	29,503
Total receipts	238,650	85,073	80,674	404,397
<b>Disbursements</b>				
Operating:				
Public safety	130,413	-	-	130,413
Public works	46,271	60,301	-	106,572
Culture and recreation	45,551	-	-	45,551
Community and economic development	11,000	-	-	11,000
General government	76,798	-	-	76,798
Debt service	19,306	-	-	19,306
Total disbursements	329,339	60,301	-	389,640
Excess (deficiency) of receipts over (under) disbursements	(90,689)	24,772	80,674	14,757
Other financing sources (uses):				
Operating transfers in	95,674	-	-	95,674
Operating transfers out	-	(10,000)	(80,674)	(90,674)
Total other financing sources (uses)	95,674	(10,000)	(80,674)	5,000
Net change in cash balances	4,985	14,772	-	19,757
Cash balances beginning of year	92,040	(1,803)	-	90,237
Cash balances end of year	\$ 97,025	\$ 12,969	\$ -	\$ 109,994
<b>Cash Basis Fund Balances</b>				
Unreserved:				
General fund	\$ 97,025	\$ -	\$ -	\$ 97,025
Special revenue funds	-	12,969	-	12,969
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 97,025	\$ 12,969	\$ -	\$ 109,994

See notes to financial statements

City of Tabor  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2008

	Enterprise Funds			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 91,029	\$ 119,369	\$ 13,451	\$ 223,849
Miscellaneous	<u>8,069</u>	<u>-</u>	<u>-</u>	<u>8,069</u>
Total operating receipts	99,098	119,369	13,451	231,918
Operating disbursements:				
Business type activities	<u>99,134</u>	<u>28,561</u>	<u>11,329</u>	<u>139,024</u>
Total operating disbursements	<u>99,134</u>	<u>28,561</u>	<u>11,329</u>	<u>139,024</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(36)	90,808	2,122	92,894
Non-operating receipts (disbursements):				
Debt service	<u>-</u>	<u>(64,800)</u>	<u>-</u>	<u>(64,800)</u>
Total non operating receipts (disbursements)	<u>-</u>	<u>(64,800)</u>	<u>-</u>	<u>(64,800)</u>
Excess (deficiency) of receipts over (under) disbursements	(36)	26,008	2,122	28,094
Operating transfers in (out)	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Net change in cash balances	(5,036)	26,008	2,122	23,094
Cash balances beginning of year	<u>(25,326)</u>	<u>290,205</u>	<u>5,473</u>	<u>270,352</u>
Cash balances end of year	<u>\$ (30,362)</u>	<u>\$ 316,213</u>	<u>\$ 7,595</u>	<u>\$ 293,446</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Sewer replacement	\$ -	\$ 73,000	\$ -	\$ 73,000
Debt service	-	178,785	-	178,785
Unreserved	<u>(30,362)</u>	<u>64,428</u>	<u>7,595</u>	<u>41,661</u>
Total cash basis fund balances	<u>\$ (30,362)</u>	<u>\$ 316,213</u>	<u>\$ 7,595</u>	<u>\$ 293,446</u>

See notes to financial statements.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Tabor is a political subdivision of the State of Iowa located in Fremont and Mills Counties, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water, sewer and landfill utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Tabor has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Fremont County Landfill Association, Mills and Fremont Counties Assessor's Conference Boards, Mills and Fremont Counties Emergency Management Commissions, and Mills and Fremont Counties 911 Service Boards.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies – Continued**

**B. Basis of Presentation - Continued**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received by the City.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies – Continued**

**B. Basis of Presentation - Continued**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Landfill Fund accounts for the collection and payment of garbage collection services.

**C. Measurement Focus and Basis of Accounting**

The City of Tabor maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government function.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies – Continued**

**E. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2006, to compute the amounts which became liens on property on July 1, 2007. These taxes were due and payable in two installments on September 30, 2007 and March 31, 2008, at the Fremont County and Mills County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$403,441 at June 30, 2008.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 18,000	\$ 1,573	\$ 53,000	\$ 12,270	\$ 71,000	\$ 13,843
2010	19,000	807	54,000	10,680	73,000	11,487
2011	-	-	56,000	9,060	56,000	9,060
2012	-	-	58,000	7,380	58,000	7,380
2013	-	-	60,000	5,640	60,000	5,640
2014-2018	-	-	128,000	5,790	128,000	5,790
	<u>\$ 37,000</u>	<u>\$ 2,380</u>	<u>\$ 409,000</u>	<u>\$ 50,820</u>	<u>\$ 446,000</u>	<u>\$ 53,200</u>

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(3) Bonds and Notes Payable – Continued**

The Code of Iowa requires principal and interest on general obligation debt to be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,714,000 which was not exceeded during the year ended June 30, 2008.

The resolutions providing for the issuance of the revenue notes include the following provisions.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,000,000 in sewer revenue notes issued in August 1994. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$409,000. For the current year, principal and interest paid and total customer net receipts were \$64,800 and \$90,808, respectively.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated.
- (d) Additional monthly transfers of \$1,500 a month to a sewer replacement account within the Enterprise Funds through the maturity of the notes. This account is restricted for the purpose of paying for improvements to the system.

The City is in compliance with the above listed provisions.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll, except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 were approximately \$5,700, equal to the required contribution for the year.

In June 1988, the City adopted a non-qualified retirement plan through Presidential Life Insurance Company. The plan is a flexible premium annuity.

For any employee who works at least 1,000 hours during the year, the City will pay the employee's annual premium of \$700. Additional contributions by employees are voluntary. Each employee shall be vested for 20% of the City's contribution after the first year, with 100% vesting upon completion of the sixth year of continuous participation.

During the period ending June 30, 2008, the City had four employees participating in this plan. The City's total contribution for the year ended June 30, 2008, was \$2,800. This contribution represents approximately 2% of the City's covered payroll.

**(5) Compensated Absences**

City employees accumulate sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. No accumulation of vacation days is allowed. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	<u>\$ 18,778</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Medical Insurance**

As described in the City's employee handbook, the City will pay the full monthly premium for health insurance. In addition, the City finances a medical reimbursement program to pay the employee's deductible and the 20% co-payment amount on insurance approved charges. During the current period, the City paid out a total of approximately \$37,100 in approved medical expenses.

City of Tabor  
Notes to Financial Statements  
June 30, 2008

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General:	Special Revenue	
	Local Option Sales Tax	\$ 80,674
	Road Use Tax	10,000
	Total Special Revenue	90,674
	Enterprise	
	Water	5,000
Total		95,674

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,150 during the year ended June 30, 2008.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Wi-Fi Internet Service**

The City entered into a contract to begin engineering of a Wi-Fi Internet Network. Contingent upon final network design and assurance of access to all locations necessary the service will be available within the City's jurisdiction at 1.5 mega bytes per second at no cost to the user. Users would have the ability to upgrade to faster speeds for a monthly fee of \$26.99. The contract would be subject to a \$10,000 set up fee plus a \$10,000 per month service charge. The City would also be liable under the contract to pay any additional fees collected from user fees with a maximum fee of \$20,000 per month.

**(10) Deficit Balance**

The Water Fund had a deficit balance of \$30,362 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated by increasing rates to users.

### **Required Supplementary Information**

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City of Tabor  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2008

	Government Funds Actual	Proprietary Funds Actual	Total
Receipts			
Property tax	\$ 59,628	\$ -	\$ 59,628
Other city tax	84,034	-	84,034
Licenses and permits	1,975	-	1,975
Use of money and property	15,780	-	15,780
Intergovernmental	102,341	-	102,341
Charges for services	109,899	223,849	333,748
Special assessments	1,237	-	1,237
Miscellaneous	<u>29,503</u>	<u>8,069</u>	<u>37,572</u>
Total receipts	404,397	231,918	636,315
Disbursements			
Public safety	130,413	-	130,413
Public works	106,572	-	106,572
Culture and recreation	45,551	-	45,551
Community and economic development	11,000	-	11,000
General government	76,798	-	76,798
Business type activities	-	139,024	139,024
Total disbursements	<u>370,334</u>	<u>139,024</u>	<u>509,358</u>
Excess (deficiency) of receipts over (under) disbursements	34,063	92,894	126,957
Other financing sources (uses), net	<u>(14,306)</u>	<u>(69,800)</u>	<u>(84,106)</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	19,757	23,094	42,851
Balances beginning of year	<u>90,237</u>	<u>270,352</u>	<u>360,589</u>
Balances end of year	<u>\$ 109,994</u>	<u>\$ 293,446</u>	<u>\$ 403,440</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 58,836	\$ 58,836	\$ 792
81,676	81,676	2,358
800	800	1,175
13,500	18,500	(2,720)
80,000	80,000	22,341
310,000	315,000	18,748
-	-	1,237
<u>2,850</u>	<u>2,850</u>	<u>34,722</u>
547,662	557,662	78,653
201,502	201,502	71,089
141,000	141,000	34,428
46,100	46,100	549
1,000	11,000	-
69,967	69,967	(6,831)
<u>205,244</u>	<u>205,244</u>	<u>66,220</u>
<u>664,813</u>	<u>674,813</u>	<u>165,455</u>
(117,151)	(117,151)	(244,108)
<u>-</u>	<u>-</u>	<u>84,106</u>
(117,151)	(117,151)	(160,002)
<u>361,260</u>	<u>361,260</u>	<u>671</u>
<u>\$ 244,102</u>	<u>\$ 244,102</u>	<u>\$ (159,331)</u>

City of Tabor  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2008

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. The City of Tabor's functions are: public safety, public works, culture and recreation, economic development, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$11,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government function. Total disbursements decreased approximately \$140,000 from fiscal year 2007 to fiscal year 2008. The majority of the decrease was due to an ambulance purchase in 2007 for approximately \$110,000.

### **Other Supplementary Information**

City of Tabor  
Schedule of Indebtedness  
Year ended June 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
General obligation bonds:				
Fire station construction	3/19/2004	4.25%	100,000	54,000
Revenue notes:				
Sewer	8/10/1994	3.74%	1,000,000	460,000

See accompanying independent auditor's report

## Schedule 1

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
-	17,000	37,000	2,306
-	51,000	409,000	13,800

City of Tabor  
Bond and Note Maturities  
June 30, 2008

	General Obligation Bonds		Revenue Notes	
	Interest Rates	Amount	Interest Rates	Amount
2009	4.25%	\$ 18,000	3.00%	\$ 53,000
2010	4.25%	19,000	3.00%	54,000
2011		-	3.00%	56,000
2012		-	3.00%	58,000
2013		-	3.00%	60,000
2014		-	3.00%	63,000
2015		-	3.00%	65,000
		<u>\$ 37,000</u>		<u>\$ 409,000</u>

See accompanying independent auditor's report

December 23, 2008

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with *Government Auditing Standards*

City of Tabor  
Tabor, Iowa

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund of the City of Tabor, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 23, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tabor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Tabor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Tabor's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of significant deficiencies, that adversely affects the City of Tabor's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of

Continued...

City of Tabor  
Report on Compliance and Internal Control

Tabor's financial statements that is more than inconsequential will not be prevented or detected by the City of Tabor's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Tabor's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe all of the above items are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tabor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tabor's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Tabor's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tabor and other parties to whom the City of Tabor may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tabor during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

City of Tabor  
Schedule of Findings  
Year ended June 30, 2008

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICAN DEFICIENCIES:**

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-08 Record of Accounts - The Library maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response - We will attempt to comply with these recommendations and will bring them to the attention of the Library Board.

Conclusion - Response accepted.

City of Tabor  
Schedule of Findings  
Year ended June 30, 2008

**Part I: Findings Related to the Financial Statements - Continued:**

- I-C-08 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

- I-D-08 Ambulance Billing – Ambulance billings, collection and delinquent accounts were not reconciled during the year. Current bills and monthly statements were not prepared on a regular basis.

Recommendation – Procedures should be established to reconcile billings and collections on a monthly basis. Procedures should be established to bill customers on a timely basis and to follow up with statements for those who are delinquent. Ambulance collections should be reconciled to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

City of Tabor  
Schedule of Findings  
Year ended June 30, 2008

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part that “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”II-C-04

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this in the future.

Conclusion – Response accepted.

- II-B-08 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Don Baggs, Council Member through December 31, 2008, Owner of Baggs Construction	Maintenance	\$ 1,150

In accordance with the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

- II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Tabor  
Schedule of Findings  
Year ended June 30, 2008

**Part II: Other Findings Related to Statutory Reporting - Continued:**

II-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, and the City's investment policy.

II-H-08 Revenue Note – The City has complied with the revenue note resolutions.

II-I-08 Financial Condition

Comment – The Water Fund had a deficit balances at June 30, 2008.

Recommendation – The City should monitor activity in this fund in order to eliminate the deficit.

Response – We will do this.

Conclusion – Response accepted.

II-J-04 Excess Balances – The balances in the Enterprise Funds – Sewer accounts were in excess of the fund disbursements during the year.

Recommendation – The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We plan on using the excess balances on improvement projects.

Conclusion – Response accepted.